

Message Text

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ACTION AF-10

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FM AMEMBASSY KHARTOUM

TO SECSTATE WASHDC IMMEDIATE 7401

C O N F I D E N T I A L KHARTOUM 2280

E.O. 11652: GDS

TAGS: EAID, EFIN, SU, US, PINT

SUBJECT: NIMEIRI'S VIEWS ON ECONOMIC ISSUES

1. I TOOK DEPUTY ASSISTANT SECRETARIES HARROP AND HORMATS
TO CALL ON PRESIDENT NIMEIRI THIS MORNING, MAY 20. THIS
CALL WAS IN ADDITION TO MEETINGS WITH MINISTERS OF PLANNING,
FINANCE AND FOREIGN AFFAIRS (SEE SEPTELS). CONVERSATION
LASTED A LITTLE OVER AN HOUR. PRESIDENT OPENED CONVERSATION
WITH DISCUSSION OF SUDAN'S ECONOMIC PROBLEMS, A SUBJECT
WHICH PRE-EMPTED MOST OF THE CONVERSATION.

2. PRESIDENT REVIEWED HIS PERCEPTION OF SUDANESE ECONOMY
ALONG LINES HE HAS TAKEN IN THE PAST. HE STRESSED IMPORTANCE
OF AN ONGOING AND SUBSTANTIAL DEVELOPMENT PROGRAM TO SECURITY
THE WELL BEING OF THE SUDAN AS WELL AS STABILITY IN THE REGION.

3. HE SPOKE VERY SPECIFICALLY ABOUT SUDANGOV'S DIALOGUE WITH
THE IMF. HE SAID SUDANGOV AND FUND WERE 90 PERCENT IN
AGREEMENT. ONLY STICKING POINT, SAID PRESIDENT WAS QUESTION
OF DEVALUATION. PRESIDENT SET FORTH IN SOME DETAIL HIS VIEW
THAT SUDAN HAD ALREADY IN INDIRECT WAYS SUBSTANTIALLY DEVALUED
THE SUDANESE POUND. HE REFERRED TO FAVORABLE RATES GIVEN TO
SUDANESE WORKING ABROAD, FACT THAT SUDANESE POUND WAS LINKED
TO DOLLAR AND THEREFORE HAD LOST VALUE AS HAD DOLLAR, AND NIL
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VALUE IMPORT SYSTEM. HE SAID FUND WANTED SUDAN TO GO PUBLIC
WITH AN ANNOUNCED DEVALUATION. THIS, HE INDICATED, WAS
POLITICALLY IMPOSSIBLE. HE SAID THAT SUDAN'S QUOTE ENEMIES
IN THE EAST UNQUOTE WOULD SEIZE ON THIS AND EXPLOIT IT BEFORE
AN UNTUTORED SUDANESE PUBLIC AS EVIDENCE THAT HIS REGIME WAS
FAILING (WE TOOK "ENEMIES IN THE EAST" TO REFER TO EXTERNAL
AND INTERNAL COMMUNISTS).

4. IN THE CONTEXT OF ABOVE, NIMEIRI SAID THAT WHILE WORLD BANK WAS ENCOURAGING SUDANGOV TO CONTINUE DEVELOPMENT PROGRAM ALONG PRESENT LINES, IMF SEEMED TO WANT TO PUT THE BRAKES ON. HE ALSO MENTIONED THAT THERE WERE THOSE IN HIS CABINET WHO SUPPORTED QUOTE PUBLIC UNQUOTE DEVALUATION, BUT THEY HAD NEITHER CONVINCED HIM NOR MAJORITY OF THEIR COLLEAGUES. AS UNDERPINNING TO HIS POLITICAL RELUCTANCE TO IMPLEMENT DEVALUATION, HE ARGUED THAT THIS ACTION WOULD NOT, IN FACT, STIMULATE EXPORTS OR INCREASE EXPORT EARNINGS.

5. THERE WAS CONSIDERABLE FREE AND FRANK GIVE-AND TAKE THROUGHOUT THE CONVERSATION WITH MESSRS. HARROP AND HORMATS STRESSING POINT THAT AGREEMENT WITH IMF WAS AN ESSENTIAL PART OF A PROCESS NOT ONLY TO INAUGURATE REMEDIES FOR SUDAN'S PRESENT DIFFICULTIES, BUT ALSO TO MAKE CERTAIN THAT DEVELOPMENT PLAN WOULD GO FORWARD ON SOUND AND RATIONAL BASIS. THEY ALSO STRESSED THAT AN AGREEMENT BETWEEN SUDAN AND IMF WOULD HAVE SIGNIFICANT VALUE IN ENCOURAGING OTHER GOVERNMENTS AND INSTITUTIONS TO COME TO SUDAN'S AID IN ITS PRESENT DIFFICULTIES. THEY FURTHER MENTIONED URGENCY OF AGREEMENT IN CONNECTION WITH IMF TRUST FUND ELIGIBILITY.

6. IN RESPONSE TO NIMEIRI'S POINTS, HORMATS SUGGESTED THAT ECONOMIC PROGRAM RECOMMENDED BY IMF WOULD PERHAPS PINCH A BIT IN THE SHORT TERM BUT PROVIDE BASIS FOR SOUND LONG-TERM CONFIDENTIAL

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DEVELOPMENT OF SUDANESE ECONOMY, THAT OTHER LEADERS IN SIMILAR POSITIONS HAD TAKEN TOUGH DECISIONS AND REALIZED LONG-TERM POLITICAL AS WELL AS ECONOMIC BENEFITS FROM SUCH MEASURES, THAT THESE NEED NOT BE SEEN PUBLICLY TO HAVE BEEN IMPOSED BY IMF BUT (AS IN CASE OF SPAIN) COULD BE PORTRAYED AS SOUND PROGRAM PROPOSED BY SUDAN AND ENDORSED BY FUND, AND THAT IMPACT OF DEVALUATION WAS NOT SO MUCH IMMEDIATE INCREASE IN DEMAND FOR EXPORTS BUT ADDITIONAL INCENTIVES FOR PRODUCERS OF EXPORT GOODS.

6. HARROP THEN DISCUSSED DEVELOPMENTS IN HORN AND SUDAN'S FUTURE ROLE AS OAU CHAIRMAN, WHICH BEING REPORTED SEPARATELY. BERGUS

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